

A regular meeting of the Michigan Public School Employees Retirement System Board was held at the General Office Building, 7150 Harris Drive, Conference Room A, Dimondale, Michigan, on Thursday, June 14, 2007. The following members, staff and observers participated:

**Members Present:**

Lenore Croudy, Community College Trustee  
 Jeff Hoffman, General Public Member, Actuarial Experience  
 Michael Flanagan, Superintendent of Public  
     Instruction  
 William Lawson, Retired Finance/Operations Member and as  
     a representative of the largest retiree organization  
 Edwin Martinson, Reporting Unit Board of Control Member  
 Richard Montcalm, Finance/Operations Member,  
     Non-superintendent  
 John Olekszyk, Retiree member  
 Diana Osborn, Non-Certified Support Member  
 Martha Pichla, Active Classroom Teacher Member

**Staff Present:**      Phil Stoddard, Executive Secretary  
                          Terry Rideout, Recording Secretary

**Others Present:**    Bonnie Carpenter, Donald Miller, Marie Wilkerson, Ernest Dear, Robert Arthur, and Iris Arthur of the Michigan Association of Retired School Personnel; Mary Christian, John Winn, David Justice, and Dean Darling of the Michigan Education Association-Retired; Janet Ketchum of the Retirement Coordinating Council; Mary Ellen Caldwell and Wendy White of Central Michigan University; Jeanette Hassan of Eastern Michigan University; Kim Cosgrove of Holt Public Schools; Steve Lenar of the Michigan School Business Officials; Henry Pichla; Barbara Murphy and Mary Kay Cutler of Blue Cross Blue Shield of Michigan; Lisa Eggert of Delta Dental; Ben Louagie, Alan Sonnanstine, and Shelly Baker of Gabriel Roeder Smith & Co.; Richard Williams and Mark Williamson of Williams & Company; Anthony F. Alexander of Alexander & Associates; Tom Schimpf of the Attorney General's Office; and Laurie Hill, Kathy Tober, Tim McCormick and Kathy Ciaramella of the Office of Retirement Services.

**Call to Order**

Chair Diana Osborn called the meeting to order at 10:30 a.m.

## **Excusing of Absent Members**

Marty Pichla moved, Lenore Croudy supported, to excuse the absences of Gary Allen, Ivy Bailey, and Marc Whitefield. The motion carried unanimously.

## **Approval of Agenda**

Richard Montcalm moved, Edwin Martinson supported, to approve the agenda as presented. The motion carried unanimously.

## **Approval of Minutes**

Lenore Croudy moved, Martha Pichla supported, to approve the minutes of the May 3, 2007, meeting as presented. The motion carried unanimously.

Edwin Martinson moved, Martha Pichla supported, to approve the minutes of the May 3, 2007, executive session as presented. The motion carried unanimously.

## **Application for Good Cause**

The Board considered the materials as submitted by the applicant. Richard Montcalm moved, Martha Pichla supported, to grant the applicant's request to extend the time limit for filing a disability retirement application, since the applicant presented sufficient evidence of extenuation circumstances, and to have the Public School Employees' Retirement System consider the application on the merits. The motion carried unanimously.

## **Administrative Hearings**

### Proposal for Decision – Docket 2007-AH032

The Board considered the case materials. Edwin Martinson moved, Lenore Croudy supported, that the Board approve the settlement agreement for the Michigan Public School Employee's Retirement System and authorize Phillip Stoddard to execute the agreement on behalf of the System. The motion carried unanimously.

### Proposal for Decision – Docket 2006-AH0607

The Board considered the case materials. Richard Montcalm moved, Jeremy Hughes supported, that the Board adopt as its own the recommendation of the Presiding Officer in the March 16, 2007 PFD, including the proposed Findings of Fact and

Conclusions of Law, and deny Petitioner's request for non-duty disability retirement benefits. The motion carried unanimously.

Proposal for Decision – Docket 2007-28PSRS

The Board considered the case materials. Richard Montcalm moved, Edwin Martinson supported, that the Board adopt as its own the recommendation of the Presiding Officer in the April 16, 2007 PFD, as amended, including the proposed Findings of Fact and Conclusions of Law excepts for the changes requested by Respondent, and deny Petitioner's request for duty and non-duty disability retirement benefits. The motion carried unanimously.

Proposal for Decision – Docket 2006-AH042

The Board considered the case materials. Richard Montcalm moved, Lenore Croudy supported, that the Board adopt as its own the recommendation of the Presiding Officer in the March 16, 2007 PFD, including the proposed Findings of Fact and Conclusions of Law, and deny Petitioner's request for duty disability retirement benefits, but grant non-duty disability retirement benefits. The motion carried with one opposed.

Proposal for Decision – Docket 2007-AH021

The Board considered the case materials. Edwin Martinson moved, Richard Montcalm supported, that the Board adopt as its own the recommendation of the Presiding Officer in the April 26, 2007 PFD, and dismiss Petitioner's request for disability benefits with prejudice. The motion carried unanimously.

**Unfinished Business**

Docket 2005-Ah026 – Washtenaw County Circuit Case No. 06-1069-AA

No action was taken by the Board.

**New Business**

Diana Osborn stated that Ivy Bailey and Edwin Martinson will serve as the Nominating Committee for Board Elections to be held at the July 26, 2007, Board meeting.

**Special Reports**

Actuarial Pension Valuation – Alan Sonnanstine of Gabriel Roeder Smith & Company provided highlights of the pension valuation for the period ending September 30, 2006, and responded to questions.

Actuarial Health Care Valuation – Alan Sonnanstine of Gabriel Roeder Smith & Company provided highlights of the health care valuation for the period ending September 30, 2006, and responded to questions.

Jeff Hoffman had questions regarding the assumptions to be reported in the '07 Certified Annual Financial Report (CAFR) as required by the Government Accounting Standards Bureau (GASB). Mr. Sonnanstine reported that for the accounting report there will be more than one package of assumptions used, so a range of results will be shown. Not only will assumptions for the trend of medical expenses be shown, but also different rates of return. Mr. Hoffman asked that the following be considered when determining the assumptions: 1) people are living longer, 2) the % of people opting out of because of other plans or both are teachers, and 3) the % of people electing single vs. family coverage.

William Lawson questioned why we are using GASB when many other retirement systems and the state of Texas have rejected GASB. Mr. Sonnanstine stated that the State Auditor General requires GASB compliant numbers for the CAFR and that he has heard no discussion in Michigan on not following GASB. Mr. Lawson also questioned why according to GASB, the presumed rate of return on investments should be the bond rate. Mr. Sonnanstine explained that when benefits are not prefunded, liabilities must be calculated on a smaller rate of return similar to what is earned on short-term investments. He stated that the real fear with GASB is that if the plans are made to look more expensive than they are, efforts may be initiated to reduce benefits.

## **Standing Reports – Committee Reports**

### Legislative Committee

The Board considered materials provided to them by the Legislative Committee at the May 3, 2007, Board meeting. Martha Pichla moved, Lenore Croudy supported to support the Deferred Beneficiary proposed legislative language as presented by the Committee and authorize staff to work in moving this forward in the Legislature. The motion carried with one opposed.

Richard Montcalm offered additional information on the bills included on the legislative report and Bill Lawson offered comment that the Board has accepted Graded Premium in concept as a cost saver, however, it has been attached to other issues in the retirement bills introduced to date.

## **Board Comments**

Diana Osborn thanked William Lawson for his written response to the Detroit News article, "Michigan's education time bomb: Costly, loophole-ridden retirement system threatens public schools". Copies of Mr. Lawson's full response were provided to the Board members.

William Lawson stated that only 40% of his response had actually been printed in the paper. Mr. Lawson also shared the information that fellow Board member, Lenore Croudy is one of five people nominated for the Michigan Service Commission Award to be presented next week by the First Gentleman. Congratulations Lenore!

Michael Flanagan informed the Board that he plans to attend future meetings due to Jeremy Hughes retiring.

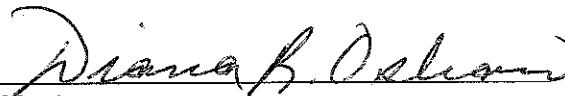
### Public Comments

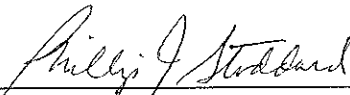
Comments were received from Ernest Dear, Kim Cosgrove and Steve Lenar.

### Adjournment

Martha Pichla moved, Lenore Croudy supported, to adjourn the meeting at 11:55 a.m. The motion carried unanimously.

### OFFICIAL MINUTES

  
Chair

  
Executive Secretary